

COOK HEALTHY EAT FRESH

**GRANT AUDIT
JANUARY 2023**

**OFFICE OF AUDITS AND INVESTIGATIONS
Prince George's County
Largo, Maryland**

TABLE OF CONTENTS

	<u>PAGE</u>
Letter of Transmittal	
Executive Summary.....	2
Grant Audit Report.....	3
Audit Recommendations.....	13
Statement of Activities.....	15

THE PRINCE GEORGE'S COUNTY GOVERNMENT



Office of Audits and Investigations

January 2023

The County Council and County Executive of
Prince George's County, Maryland

Council Resolution 51-1991, adopted June 25, 1991, requires the Office of Audits and Investigations (A&I) to perform random financial audits of grants and transfer payments appropriated in the Non-Departmental section of the County's Approved Annual Current Expense Budget.

We have examined the books and records of

COOK HEALTHY EAT FRESH,

for the period July 1, 2019, through June 30, 2020. Our examination included such tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances.

We noted several matters involving the Prince George's County grant to Cook Healthy Eat Fresh (CHEF), that led us to believe that the County grant funds were not used for their intended purpose. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to Cook Healthy Eat Fresh at this time. Furthermore, we recommend that the Prince George's County Government take the necessary steps to retrieve the grant funds awarded to CHEF.

This report, in our opinion, fulfills the requirements of Council Resolution 51-1991 to perform random financial audits of grants and transfer payments made pursuant to the Non-Departmental section of the Prince George's County, Maryland, Fiscal Year 2020 Approved Operating Budget.



Turkessa M. Green, CPA, CIA, CISA
County Auditor



Larry V. Whitehurst Jr.
Larry Whitehurst Jr., CPA, MBA, CIA
Audit Manager



Deneen Mackall, MBA, CFE, CIA
Senior Auditor

Executive Summary

Cook Healthy Eat Fresh (“CHEF”) received a total of \$50,000 of grant funds from the Prince George’s County Government (the “County”) between July 2019 and June 2020. During our audit we noted several matters involving the grant funding provided to CHEF that are cause for concern. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to CHEF at this time. A summary of these issues is provided below, and further details can be found in the following report.

- CHEF’s Board of Directors did not provide adequate board oversight with respect to having an adequate number of board members and conducting an adequate number of board meetings.
- CHEF did not adhere to its bylaws regarding the avoidance of conflicts of interest.
- CHEF does not have an adequate accounting system in place to account for its grant related financial activity. The current process in place does not allow for the accurate production of basic financial reports such as bank reconciliations, statements of financial position, and statement of financial activities. The reports that are produced lack completeness.
- CHEF did not maintain adequate documentation for 100% of the transactions selected in our sample, totaling \$32,814. The lack of documentation included contractual agreements and original invoices/receipts.
- CHEF did not comply with Federal and State government regulations. The specifics of this non-compliance are as follows:
 - Failure to maintain registration with the State of Maryland to solicit charitable contributions in Maryland in accordance with the Maryland Solicitations Act;
 - Failure to issue and file 1099 forms in accordance with IRS guidelines for payments made to contractors in excess of \$600; and
 - Failure to file 990-N forms in accordance with IRS guidelines for tax-exempt organizations.
- CHEF’s Board of Directors did not provide adequate organizational oversight with respect to addressing the establishment of the organization’s policies and procedures, and the review of financial related issues.
- CHEF did not comply with the Local Development Council grant repurposing guidelines as it relates to authorized spending of grant funds.

Overall Audit Rating	Total County Grant Funding	
	\$	50,000

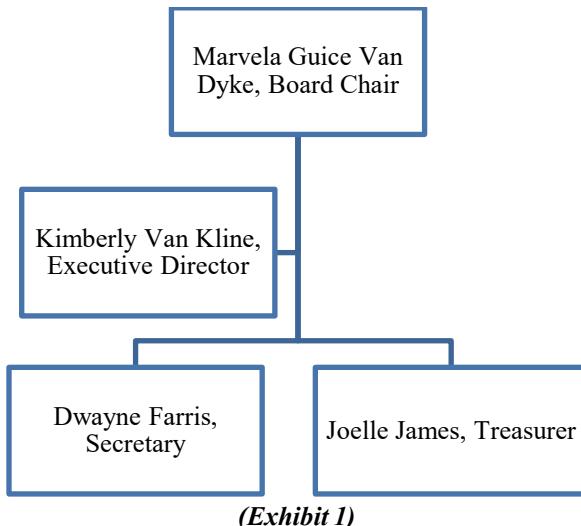
- No Significant Findings Noted – Opportunities for Improvement Identified
- Some Deficiencies Noted – Eligible for Funding
- Significant Deficiencies Noted – Ineligible for Funding

Cook Healthy Eat Fresh

Cook Healthy Eat Fresh (“CHEF”) is a 501(c)(3) non-profit organization incorporated and registered with the Commonwealth of Virginia in 2018. CHEF was registered to do business in Maryland effective January 2019; however, the entity was forfeited in November 2020 as a result of its failure to file a property return for 2020. CHEF is dedicated to empowering children and young adults from all backgrounds to eat and live sustainably by teaching them how to cook healthy meals for themselves and their families. CHEF reported that its program revolves around three pillars:

- Learn – Students use interactive tools to decipher advertisements and food labels to make informed decisions about their eating.
- Prepare – Instructors work one on one with students to create dishes, engaging children in the preparation and the processing of food. Students learn new cooking techniques and discover the joys of hands-on, healthy cooking.
- Enjoy – Students experience new foods and old favorites through taste, touch and sight and are astounded with wonderfully tasting food and snacks that they can prepare with ease.

The business and affairs of CHEF are managed by the Board of Directors, who serve without compensation. The board is comprised of four (4) board members which is inclusive of the Executive Director and three (3) advisory board members. The Board manages the affairs of the organization and has all the powers and duties necessary or appropriate for the administration of the affairs of the organization. Per the organization’s bylaws, the Board is required to hold regular meetings monthly at a place specified by the Chair of the Board. A current overview of CHEF’s organizational structure is shown in **Exhibit 1** below.



The Local Development Council offers the Local Impact Grant, which are funds that are a portion of gaming revenue dedicated by law for use primarily in the communities in immediate proximity to MGM National Harbor. These grants are awarded through a formal application process.

The Prince George's County Government, by the way of the Local Development Council, awarded CHEF one (1) grant in the amount of \$50,000 in fiscal year 2020. A summary of the grant awarded is shown in **Exhibit 2** below:

<u>Disbursement Date</u>	<u>Grant Type</u>	<u>Grant Award Amount</u>
8/27/2020	FY 20 Local Development	\$50,000
Total Amount Awarded		<u>\$50,000</u>

(Exhibit 2)

This grant was awarded for an 8-week, in-person culinary program in partnership with Forest Heights Elementary School for 20 students ages 8-13. However, in March 2021, CHEF submitted a request to the Local Development Council (LDC) to re-purpose this funding to pay contractors, upgrade the CHEF website, to create an 85-page curriculum for an eight (8) week culinary after school program, and to repurpose the current curriculum into an online E-learning program for the Fall and Spring.

CHEF receives funding from grants, donations, and other sources. The County grants accounted for the majority of the organization's revenue in FY 2019 and FY 2020.

OBJECTIVE, SCOPE AND METHODOLOGY

The objectives of our audit were to: (a) assess the adequacy of the system of internal and management controls over grant funds received and expended; (b) assess whether grant related transactions occurred in a manner consistent with the CHEF's grant request application and other generally accepted business practices; and (c) identify factors inhibiting satisfactory performance in these areas and make recommendations to protect the County's interest concerning the grant funds.

The scope included all transactions related to the receipt and disbursement of the grant funds received from July 2019 through June 2020 (a total of \$50,000).

The criteria used to evaluate the audit evidence gathered included:

- The grant application submitted by Cook Healthy Eat Fresh;
- Bylaws and Conflict of Interest Policy submitted by Cook Healthy Eat Fresh;
- The United States General Accountability Office Standards for Internal Control publication ([GAO-14-704G](#));
- [Maryland Nonprofit's Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector](#); and
- Internal Revenue Code (IRC)/Internal Revenue Service (IRS) guidelines.

The audit included interviews with key personnel of Cook Healthy Eat Fresh and detailed tests including:

- An examination of the organization's monthly bank statements;

- A review of the organization's Federal Form 990-N return for 2018;
- A review of available cash receipts and disbursements documentation; and
- A review of available minutes for meetings held by the Board of Directors.

Cook Healthy Eat Fresh operates and reports on a calendar year, however our examination was conducted on a fiscal year basis. For report purposes, the attached Statement of Activities, prepared by A&I, is presented on a calendar year consistent with CHEF's operations. The attached Statement of Activities (**Schedule 1**) shows the financial activities of the organization for the periods ending December 31, 2019, and June 30, 2020. The Statement of Activities was generated based on A&I's review and analysis of the organization's bank statements, submitted documentation, and inquiries of individuals associated with Cook Healthy Eat Fresh. Formal financial statements were not prepared by the organization and were not available for our review.

We examined the books and records maintained by Cook Healthy Eat Fresh and performed tests of the accounting records and other auditing procedures, as deemed necessary. The examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to related invoices. Although some documentation was provided by Cook Healthy Eat Fresh, A&I did not receive sufficient documentation to support the organization's expenditures, in order to obtain reasonable assurance that the County grant funds awarded to the organization were properly supported and utilized for their intended purpose. The deficiencies noted during our audit are discussed in further detail below.

FINDINGS, COMMENTS AND RECOMMENDATIONS

INTERNAL CONTROLS AND THE CONTROL ENVIRONMENT

An organization's control environment should establish the overall tone, awareness, and actions of the board of directors, management, and staff, concerning the importance of internal controls and its role in the organization. In an organization with a good internal control environment, responsibilities are clearly defined, and authority is assigned to specific individuals to permit identification of whether persons are acting within the scope of their authority.

Auditing standards define internal controls as a process designed to provide reasonable assurance that entity objectives will be achieved, including the objectives of reliable financial reporting, compliance with applicable laws, and the effectiveness and efficiency of the organization's service delivery processes. The primary function of internal controls is to provide assurance that errors and irregularities may be discovered with reasonable promptness.

According to the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* ("Standards for Excellence"), nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reports, and safeguards to protect the integrity of the reporting systems.

FINDING 1: Lack of Board Oversight

Cook Healthy Eat Fresh (CHEF) is a small organization with its daily operational and financial decisions made solely by the Executive Director/Founder. With this structure in place, it is imperative that the organization has an active, impartial, and full complement of Board Members to ensure that organizational and financial decisions are made with adequate oversight and approval. Review of the board meeting minutes, bylaws, and discussions with the Executive Director revealed the following areas of concern:

- **The organization had an insufficient number of board members to fulfill its responsibilities.** The board currently consists of four (4) members which includes a related director, the Executive Director and Founder of the organization. The Standards of Excellence (“The Standards”) recommends that the board should have no fewer than five (5) independent and unrelated directors. Seven (7) or more directors are preferable.
- **The board conducted an insufficient number of board meetings.** During review of the board meeting minutes we noted that the board conducted one (1) meeting during calendar year 2021. As such, the organization did not meet a minimum of four (4) times a year, as recommended by The Standards. Furthermore, the minutes did not address the organization’s financial related topics (i.e., review and approval of transactions, or program objectives) during its annual meeting as outlined in the organization’s bylaws.

The Board of Directors have the fundamental responsibility to provide oversight and accountability for the organization. Non-profits that fail to adhere to good governance principles may be at risk of poor management, wastefulness of resources, and public mistrust.

FINDING 2: Potential Conflict of Interest

Review of the organization’s Memorandum of Understanding (MOU), bank statements and discussions with personnel revealed that:

- For-profit organizations owned by Cook Health Eat Fresh board members were utilized for services that are directly related to CHEF’s programs as outlined in the County grant fund application.
- The vendor MOU agreement(s) between Cook Health Eat Fresh and various for-profit organizations were not finalized prior to start of the program. The MOUs were signed in September/December 2020, more than one (1) year after the program began, July 2019.

A total of \$11,342, or 23% of County grant funds, were paid to DPWM Consultants, Dudley Hospitality Group Inc., and R & B Accounting Services, for-profit organizations, as summarized in the chart on the following page.

Board Member	Business Name	Service Provided	Payment Amount Received Per Bank Statement(s)
Darlene Walker-Mungin	Darlene Walker- Mungin Consultants (DPWM Consultants)	Constructing the Culinary Arts & Healthy Eating curriculum	\$ 4,850
Henry Dudley	Dudley Hospitality Group, Inc.	Setup, equipment, staffing, and execution of CHEF Jr. cooking competition. Conduct all food operations and beverage needs	4,492
Rhonda Brown	R & B Accounting Services	Accounting services	2,000
Total Amount Paid			\$ 11,342
FY 2020 Grant Award			\$ 50,000
Percentage of Award Utilized			23%

The board members' affiliation with the for-profit organizations provides the appearance of a pass-through to compensate. This conflict of interest is in direct violation of the organization's bylaws.

The organization's bylaw states, "All officers, directors, committee members and employees of the Corporation shall scrupulously avoid any conflict between their own respective individual interests and the interest of the Corporation, in any and all actions taken by them on behalf of the Corporation in their respective capacities."

The Standards of Excellence recommends that "When an employee of the organization is a voting member of the board, the board is responsible for ensuring that the employee will not be in a position to exercise undue influence."

Additionally, the County grant application expresses that "grant funds cannot be utilized to benefit a for-profit entity." It is important to note that the Board is the first line of defense against fraud and abuse. A conflict of interest arises within the Board whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit. As such, these instances can impair objective decision making.

FINDING 3: Inadequate Accounting of Grant Activities

During audit fieldwork, we requested all financial reports utilized by the organization (e.g., statement of activities, statement of financial position, bank reconciliations) that would illustrate an accurate accounting of the grant-related financial transactions that occurred during the audit period. In response, the organization provided a profit and loss statement, and bank statements for 18 out of 24 months reviewed. A review of the provided documents along with conversations with the Executive Director revealed the following:

- **Lack of Adequate Financial Statements** - In discussions with the Executive Director, we noted that the organization does not have a formal accounting system. We also noted that the organization lacked complete financial statements and supporting financial reports to include the statement of activities and the statement of financial position.

In lieu of a system generated report the organization manually produced a profit & loss statement with no supporting detail. When comparing the total revenue from the profit and loss statement to total revenue reported on the bank statements, we noted that the organization did not report revenue totaling \$7,286. We also noted a variance of \$2,405 in total expenses reported when comparing the profit and loss statement expense total to the expenses obtained from the bank statements. As such, we found the organization's financials to be unreliable.

- **Lack of Bank Reconciliation** - The organization did not complete bank reconciliations for any months in the audit period.

Any one of the above observed occurrences can result in the potential to produce financial statements that are unreliable. Sound accounting practices would suggest that there is a system and processes in place that would support basic accounting functions such as bank reconciliations, the input of all financial transactions, and the production of detail and summary financial reports.

The Standards of Excellence state that "... Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems. A nonprofit should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the board of directors, and should identify and explain any material variation between actual and budgeted revenues and expenses."

The lack of an adequate accounting system could create an environment where recordkeeping and financial reporting is vulnerable to gross inaccuracies. As a result of a lack of an adequate accounting system, we had to implement alternative audit procedures that consisted of an analysis of the organization's bank statements and submitted inquiries of the organization's representatives, to provide a representation of the organization's financial activities to facilitate our audit procedures.

FINDING 4: Lack of Expenditure Documentation

To determine whether CHEF's grant expenses were adequately supported with appropriate documentation (e.g., invoice, receipt, contract/agreement etc.) and aligned with its mission, we utilized the organization's bank statements for the period of July 1, 2019, through June 30, 2020. A sample of 60 transactions totaling, \$32,814 or 66% of the total grant funds awarded were selected. The organization was unable to provide supporting documentation (i.e., invoices/receipts) for any of the selected transactions. A summary of these unsupported transactions is illustrated on the following page.

<u>Expenditures</u>	<u>Sum of Expense Amount</u>	<u># of Transactions</u>
Check Payment	\$ 4,200	3
Food	2,231	6
Payment to Individual	12,337	8
Personal Expense	8,753	20
Vendor/Store Payment	5,292	23
Grand Total	\$ 32,814	60

Additional information pertaining to each of the above unsupported expense categories is as follows:

- Check Payment – Bank statements detailed three (3) checks, totaling \$4,200. In discussions with the Executive Director, she stated that these payments were made to the organization’s accountant for services provided and for the purchase of supplies pertaining to the organization’s culinary program. Supporting documentation was not provided for these transactions.
- Food – Six (6) food transactions were noted in the bank statements, totaling \$2,231. The organization reported that gift cards were provided to the participants to purchase groceries for virtual cooking classes. Groceries were also purchased for the instructors for demonstration purposes. No invoices were provided.
- Payment to Individual – The Executive Director reported that cash app payments, totaling, \$12,337 were made to CHEF’s operating consultants to support its program. One (1) itemized installment invoice was provided for a curriculum writer.
- Vendor Payment – There were 23 payments totaling, \$5,292 made to several vendors/retail establishments with no documentation provided to support the expenditure. The amount and bank statement description for some of these payments are as follows:
 - \$1,797 purchase from Power Your Launch Marketing
 - \$660 purchase from Harris Harris DC
 - \$287 purchase from Amazon Marketplace
 - \$275 purchase from The Gadget Guys
 - \$219 purchase from Uline
 - \$178 purchase from New Wave Liquor
- Personal Expense – The Executive Director (ED) stated that she also instructed the virtual cooking lessons for the program and should have been compensated \$8,500. However, due to cash flow concerns she did not pay herself, but instead intermittently paid for personal expenses totaling \$8,753 utilizing the organization’s bank account when funds became available. We also noted that the total expended exceeded the agreed upon compensation.

Additionally, we noted that since compensation was not paid directly to the ED a form 1099-NEC was not issued. It should be noted that the practice of utilizing the organization's funds to make personal purchases as a form of compensation in lieu of a salary could appear as an attempt to circumvent IRS requirements to report and remit income taxes. See *Finding # 5 - Noncompliance with Federal/State Regulations* for details regarding the organization's form 1099 reporting.

Due to the lack of supporting documentation and unreliable accounting records, we were unable to determine if each expense was consistent with the organization's mission/purpose.

In the publication on standards for internal controls (GAO-14-704G) (09/14) the Government Accountability Office (GAO) states the following regarding the appropriate documentation of transactions and internal control activities: "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

Additionally, CHEF's grant award letters required the organization to maintain documentation to support all grant expenditures as a condition of the grant award.

The failure to maintain adequate documentation to support grant transactions prevents an effective detailed review of these transactions, either from management at the time the transaction was initiated, or during a subsequent audit, ensuring that they were reasonable, accurate, and aligned with the organization's mission/purpose. Additionally, without corresponding expense receipts, purchases made by CHEF's representatives could be considered personal use and thereby subject to income tax by the IRS.

FINDING 5: Non-Compliance with Federal/State Regulations

During our review, we assessed whether the organization's operations were conducted in accordance with applicable laws, regulations, and policies. The results of our review revealed the following deficiencies.

Non-compliance with the Maryland Solicitations Act

The *Maryland Solicitations Act* requires that a charitable organization soliciting in Maryland file documents with the Office of the Secretary of State. Registration is required prior to the commencement of solicitations. To remain in compliance a charitable organization must renew its registration annually. As of September 2022, we found that CHEF is no longer in compliance with the Maryland Solicitations Act because the organization has not submitted the information needed to maintain its annual registration. We noted that the organization has not filed an extension request.

Non-compliance with the Internal Revenue Code

The Internal Revenue Service requires that most charitable organizations file an annual information return, Form 990-N for organizations meeting an annual gross receipt threshold more than \$50,000, or a Form 990-N for gross receipts of \$50,000 or less. Annual returns are due on the 15th day of the 5th month after the end of the organization's fiscal year. The organization provided a Form 990-N for calendar year 2018. However, we noted that the organization has not filed with the IRS for CYs 2019-2021, which were due in May or November (for extensions) of the following year. Due to the lack of accounting records A&I was unable to verify the organization's gross receipts during CYs 2019-2021 to determine whether the organization should file Form 990-N or Form 990-N for those years.

In addition, A&I requested a form 1099-MISC and 1099-NEC for all individuals that were paid \$600 or more during calendar year 2020 along with confirmation that the forms were submitted to the IRS. We were provided with a completed 1099 form, for the three (3) contractors that the organization utilized during the requested period. When comparing the check register payments to the Form 1099-NECs, we noted discrepancies between payments recorded on the check register and total payments amounts recorded on the Form 1099-NECs. The organization did not provide documentation to support that these forms were reported/filed with the IRS.

According to the Internal Revenue Service (IRS) Guidelines, a Form 1099-MISC/1099-NEC must be completed for any individual or non-incorporated entity that receives income totaling \$600 or more for services performed by a non-employee conducting business during the calendar year.

The failure to comply with Federal and/or State regulations may result in the assessment of penalties/fees, withdrawal of tax exemption status, or the discontinuance of County funding.

FINDING 6: Lack of Written Policies and Procedures

A&I requested all written policies and procedures pertaining to the accounting and operational practices within the organization. As a result, we found that the organization did not have any written policies and procedures to address these fundamental areas.

The Maryland Nonprofit Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector states the following:

“An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization’s allocation of resources to effectively and efficiently fulfill its mission.” Furthermore, the Standards for Excellence states that “Nonprofits should also have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors.”

“An organization’s human resource policies should address both paid employees and volunteers and should be fair, establish clear expectations, and provide meaningful and effective performance evaluation.” Consequently, the lack of written policies and procedures can result in improper practices, inconsistent approaches based on the personal preference of staff, and a lack of accountability, which can lead to organizational inconsistencies and inefficiencies.

FINDING 7: Unauthorized Spending of Grant Funds

In review of the FY 2020 County Grant application, we noted that the organization planned to utilize County funding, totaling \$50,000, to provide an 8-week, after school culinary program in partnership with Forest Heights Elementary School for 20 students ages 8-13.

In March 2021, the organization submitted a repurpose request to the Local Development Council (LDC) for approval to redirect funding to upgrade its website, create an 85-page curriculum, and to redirect its in-person curriculum to an online E-learning platform. The Local Development Council noted that \$45,370 or 91% of funding was already expended prior to the submission of the repurpose request. Documentation stating that the organization was granted approval to repurpose the funds was not provided to A&I for review. Due to lack of documentation, we were unable to determine if grant funds were utilized for the purpose as stated in the organization’s repurpose request. See ***Finding 4 - Lack of Expenditure Documentation*** for additional details.

Of Note: In addition to County funding Cook Healthy Eat Fresh also received payments from the Prince George’s County Public School System (PGCPS), specifically Forest Heights Elementary School and Glassmanor Elementary School in the amounts of \$5,000 (paid 8/2020) and \$15,120 (paid 7/2021) respectively. In total, \$20,120 was paid to the organization for the cost of the program and participant supplies. It should be noted that the payment for Glassmanor Elementary School is outside of the scope of this audit review.

As such, determining how these funds were expended by the organization is unknown. Funds paid by Glassmanor Elementary School is disclosed in this report for informational purposes.

According to official correspondence from Local Development Council (LDC) to the organization “... awardees were directed not to spend their award until their repurpose request was approved.” Furthermore, the LDC asserts that once the request is approved, the LDC Chair will draft a letter notifying the organization, the Office of the Prince George’s County Executive, the County Council, and the Office of Management and Budget of the approval. The effect of incurring expenses prior to receiving approval may result in the use of purchases for purposes that are not permitted.

RECOMMENDATIONS

Based upon the extent of the findings outlined in this report, **we recommend that the County discontinue awarding Cook Healthy Eat Fresh grant funding at this time.** The Prince George's County Government should require a refund of any grant funds awarded when an organization is not in compliance with the terms and conditions of the grant award, including funds expended for personal use and other unallowable expenses.

Additionally, based on the critical findings noted in this audit, CHEF should immediately address the deficiencies identified in this report and implement the following recommendations:

1. Cook Healthy Eat Fresh should evaluate and strengthen its Board of Directors to ensure the Board can provide the appropriate oversight of the organization by:
 - a) Increasing the number of board members, excluding any related directors as recommended by the Standards of Excellence to ensure equal representation of the organization's interest.
 - b) Conducting board meetings at a minimum of four (4) times a year to include discussions about operations and financial related topics.
2. Cook Healthy Eat Fresh should utilize vendors who are independent of the organization, to include the President/Founder or Board members, to avoid a conflict of interest, whether real or perceived.
3. Cook Healthy Eat Fresh should take the necessary steps to ensure that a sound accounting and internal control system is in place to properly account for future funding that it may receive. A strong internal control system should include creating and maintaining reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the Board of Directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.
4. Cook Healthy Eat Fresh should maintain appropriate documentation to support revenue and expenditure transactions, including but not limited to bank statements, check copies, check registers, signed memoranda of understanding (MOUs), signed employment agreements, signed contract agreements, receipts for travel and entertainment expenses, detail information regarding individual and corporate donor payments and other funds received. Documentation should be maintained for a period of at least three years after the tax return is filed, in accordance with IRS guidelines.
5. Cook Healthy Eat Fresh should ensure that it is in **full compliance with all local, state, and federal laws** that apply to the organization.
6. Cook Healthy Eat Fresh should establish written policies to address the request and authorization of financial transactions or receipts and disbursements procedures.

7. We recommend in the future that Cook Healthy Eat Fresh should wait until written approval to repurpose grant funds is received prior to incurring expenses.

Schedule 1

**COOK HEALTHY EAT FRESH
STATEMENT OF ACTIVITIES
FOR THE PERIODS ENDING
DECEMBER 31, 2019, and DECEMBER 31, 2020
(CASH BASIS-UNAUDITED)**

	<u>2019*</u>	<u>2020</u>
REVENUES:		
Prince George's County Grant **	\$ 23,558	\$ 50,000
Other Income/Loss	877	8,256
Total Revenues	<u>\$ 24,435</u>	<u>\$ 58,256</u>
EXPENDITURES:		
Accounting Services	\$ -	\$ 2,000
Cash Withdrawals	3,538	5,000
Contractor Expenses	3,063	9,942
Credit Card Payments	3,988	5,676
Dues & Subscriptions	-	173
Food	1,966	2,651
Travel & Lodging	-	1,539
Insurance	-	233
Marketing	-	1,996
Meals/Entertainment	1,098	3,002
Miscellaneous Expenses	10,671	11,909
Postage/Delivery	89	106
Rental Fees	137	-
Service Fees	142	165
Supplies	503	1,855
Utilities	244	150
Total Expenditures	<u>\$ 25,439</u>	<u>\$ 46,397</u>
Excess Revenue Over/(Under) Expenditures	<u>\$ (1,004)</u>	<u>\$ 11,859</u>

Notes:

* Due to lack of documentation CY 2019 includes revenues and expenditure totals for the period 07/01/2019 through 12/31/2019 only.

** Cook Healthy Eat Fresh received \$23,558 in awards in calendar year 2019 that were not included in the scope of the audit but are included in the Statement of Activities above since the organization operates on a calendar year.